

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Kingston	County Tuscola County
Fiscal Year End February 29, 2008	Opinion Date July 23, 2008	Date Audit Report Submitted to State July 23, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

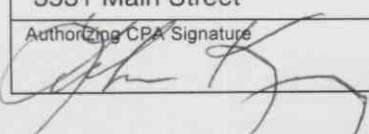
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	Communication with Those Charged with Governance.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.		Telephone Number 989-635-3113	
Street Address 3531 Main Street		City Marlette	State MI
Authorizing CPA Signature 		Printed Name Lehn L. King, C.P.A.	Zip 48453
		License Number A248781	

Village of Kingston

Tuscola County, Michigan

Audited Financial Report
February 29, 2008

Lehn L. King

Certified Public Accountant
Marlette, Michigan

Village of Kingston
Annual Financial Report
For The Fiscal Year Ended February 29, 2008

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LEHN L. KING

Certified Public Accountant

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Members of the Village Council
Village of Kingston
Tuscola County, Michigan

Independent Auditor's Report

I have examined the General Purpose Financial Statements of the Village of Kingston as of February 29, 2008, and for the year then ended, as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Kingston, Michigan as of February 29, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Kingston, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of March 1, 2004.

Lehn King

Certified Public Accountant

July 23, 2008

Village of Kingston

Kingston, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Village of Kingston's financial performance provides an overview of the Village's financial activities for the fiscal year ended February 29, 2008. Please read it in conjunction with the Village's financial statements.

Financial Highlights

The General Fund for the Village of Kingston had a fund balance of \$206,196, as of February 29, 2008. This gives the Village a healthy financial position for the General Fund.

Overall, the Village is in good financial position.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Village's annual report.

The Village as a Whole

The Village of Kingston's fund balances are as follows:

	February 28, 2008	February 28, 2007
General Fund	\$ 205,196	\$ 243,700
Major Streets Fund	116,618	103,990
Local Streets Fund	12,850	30,516
Municipal Streets Fund	31,874	28,700
Fire Fund	105,712	74,813
Total for Village	<u>\$ 472,250</u>	<u>\$ 481,719</u>

Village of Kingston

Kingston, Michigan

The Village as a Whole – Continued

The following table shows the changes of the net assets during the current year:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u> <u>2007-2008</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 147,167	\$ 214,977	\$ 362,144
Operating Grants & Cont's	39,306	-	39,306
General Revenues:			-
Property Taxes	82,947	9,937	92,884
State-Shared Revenues	53,308	-	53,308
Interest	7,445	3,724	11,169
Other Revenues	17,145	-	17,145
	<hr/>	<hr/>	<hr/>
Total Revenues	347,318	228,638	575,956
Program Expenses			
General Government	\$ 73,577	\$ -	\$ 73,577
Public Safety	158,882	-	158,882
Public Works	82,613	-	82,613
Recreation & Culture	4,237	-	4,237
Interest on Long-Term Debt	8,641	-	8,641
Water & Sewer	-	159,750	159,750
	<hr/>	<hr/>	<hr/>
Total Program Expenses	327,950	159,750	487,700
	<hr/>	<hr/>	<hr/>
Change in Net Assets	<u>\$ 19,368</u>	<u>\$ 68,888</u>	<u>\$ 88,256</u>

Village of Kingston

Kingston, Michigan

Economic Factors and Next Year's Budget and Rates

The Village of Kingston's 2008/2009 is similar to the prior year's budget.

Contacting the Village

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Village office at the Village Hall 3655 Ross Street in Kingston, Michigan or by telephone at (989) 683-2680.

Paul Lalko
Village of Kingston President

Village of Kingston
Statement of Net Assets (Deficit)
February 29, 2008

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Totals
<u>Assets</u>			
Cash & Cash Equivalents	\$ 376,089.19	\$ 216,306.23	\$ 592,395.42
Accounts Receivable	45,139.15	41,123.74	86,262.89
Due From Other Funds	58,000.00	-	58,000.00
Capital Assets			
Nondepreciable Capital Assets	-	15,000.00	15,000.00
Depreciable Capital Assets	706,393.94	629,322.05	1,335,715.99
 Total Assets	 1,185,622.28	 901,752.02	 2,087,374.30
<u>Liabilities</u>			
Accounts Payable	6,979.28	31,875.00	38,854.28
Due To Other Funds	-	58,000.00	58,000.00
Current Portion of Long-Term Debt	23,101.79	-	23,101.79
Noncurrent Liabilities:			
Long-Term Debt	321,679.67	72,104.28	393,783.95
 <u>Total Liabilities</u>	 <u>351,760.74</u>	 <u>161,979.28</u>	 <u>513,740.02</u>
Net Assets (Deficit)			
Invested in Capital Assets - Net of Related Debt	361,612.48	644,322.05	1,005,934.53
Unrestricted	472,249.06	95,450.69	567,699.75
 <u>Total Net Assets (Deficit)</u>	 <u>\$ 833,861.54</u>	 <u>\$ 739,772.74</u>	 <u>\$ 1,573,634.28</u>

The notes are an integral part of the statements.

Village of Kingston
Statement of Activities
For the Year Ended February, 29, 2008

		Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
			Operating	Capital	Primary Government		
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for</u>	<u>Grants &</u>	<u>Grants &</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Totals</u>
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>	<u>Activities</u>	
Primary Government:							
Governmental Activities:							
General Government	\$ 73,576.61	\$ -	\$ -	\$ -	\$ (73,576.61)	\$ -	\$ (73,576.61)
Public Safety	158,881.86	123,936.52	-	-	(34,945.34)	-	(34,945.34)
Public Works	82,613.13	23,230.81	39,306.39	-	(20,075.93)	-	(20,075.93)
Recreation & Culture	4,237.30	-	-	-	(4,237.30)	-	(4,237.30)
Interest on Long-Term Debt	8,640.99	-	-	-	(8,640.99)	-	(8,640.99)
<u>Total Governmental Activities</u>	<u>327,949.89</u>	<u>147,167.33</u>	<u>39,306.39</u>	<u>-</u>	<u>(141,476.17)</u>	<u>-</u>	<u>(141,476.17)</u>
Business-type Activities	159,749.63	214,976.89	-	-	-	55,227.26	55,227.26
Total Primary Government	<u>\$ 487,699.52</u>	<u>\$ 362,144.22</u>	<u>\$ 39,306.39</u>	<u>\$ -</u>	<u>\$ (141,476.17)</u>	<u>\$ 55,227.26</u>	<u>\$ (86,248.91)</u>
General Revenues:							
Property Taxes					\$ 82,947.40	\$ 9,936.88	\$ 92,884.28
State Shared Revenues					53,308.00	-	53,308.00
Interest					7,444.51	3,724.24	11,168.75
Other Revenues					17,144.67	-	17,144.67
Transfers					-	-	-
Total General Revenues, Special Items & Transfers					<u>160,844.58</u>	<u>13,661.12</u>	<u>174,505.70</u>
Change in Net Assets					19,368.41	68,888.38	88,256.79
Net Assets (Deficit) - Beginning of Year					<u>814,493.13</u>	<u>670,884.36</u>	<u>1,485,377.49</u>
Net Assets (Deficit) - End of Year					<u>\$ 833,861.54</u>	<u>\$ 739,772.74</u>	<u>\$ 1,573,634.28</u>

The notes are an integral part of the statements.

Village of Kingston

Balance Sheet
Governmental Funds
February 29, 2008

	General Fund	Major Streets Fund	Local Streets Fund	Municipal Streets Fund	Fire Fund	Total Governmental Funds
<u>Assets</u>						
Cash & Cash Equivalents	\$ 147,100.64	\$ 116,617.64	\$ 12,849.91	\$ 31,874.35	\$ 67,646.65	\$ 376,089.19
Accounts Receivable	7,074.15	-	-	-	38,065.00	45,139.15
Due From Other Funds	58,000.00	-	-	-	-	58,000.00
<u>Total Assets</u>	<u>\$ 212,174.79</u>	<u>\$ 116,617.64</u>	<u>\$ 12,849.91</u>	<u>\$ 31,874.35</u>	<u>\$ 105,711.65</u>	<u>\$ 479,228.34</u>
<u>Liabilities & Fund Equity</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 6,979.28	\$ -	\$ -	\$ -	\$ -	\$ 6,979.28
Due To Other Funds	-	-	-	-	-	-
<u>Total Liabilities</u>	<u>6,979.28</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,979.28</u>
<u>Fund Equity</u>						
Fund Balances:						
Unreserved - Undesignated	205,195.51	116,617.64	12,849.91	31,874.35	105,711.65	472,249.06
<u>Total Fund Equity</u>	<u>205,195.51</u>	<u>116,617.64</u>	<u>12,849.91</u>	<u>31,874.35</u>	<u>105,711.65</u>	<u>472,249.06</u>
<u>Total Liab. & Fund Equity</u>	<u>\$ 212,174.79</u>	<u>\$ 116,617.64</u>	<u>\$ 12,849.91</u>	<u>\$ 31,874.35</u>	<u>\$ 105,711.65</u>	<u>\$ 479,228.34</u>

The notes are an integral part of the statements.

Village of Kingston
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended February 29, 2008

Total Fund Balances for Governmental Funds & Equipment Fund	\$ 472,249.06
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Amounts reported for governmental activities in the statement of
net assets (deficit) are different because:

Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds	706,393.94
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Long-term bonds payable are not due and payable in the current period and are not reported in the Funds	<u>(344,781.46)</u>
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Net Assets of Governmental Activities	<u><u>\$ 833,861.54</u></u>
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The notes are an integral part of the statements.

Village of Kingston
Statement of Revenues, Expenditures
And Changes in Fund Balances
Governmental Funds
For The Year Ended February 29, 2008

	General Fund	Major Streets Fund	Local Streets Fund	Municipal Streets Fund	Fire Fund	Total Governmental Funds
<u>Revenues</u>						
Property Taxes	\$ 72,975.08	\$ -	\$ -	\$ 2,520.77	\$ 7,451.55	\$ 82,947.40
Intergovernmental Revenues	53,308.00	27,332.50	11,973.89	-	-	92,614.39
Charges for Services	23,230.81	-	-	-	102,875.00	126,105.81
Loan Proceeds	-	-	-	-	192,468.00	192,468.00
Interest Earnings	2,980.55	942.62	102.81	765.49	2,653.04	7,444.51
Other Revenues	32,792.70	-	-	-	5,413.49	38,206.19
<u>Total Revenues</u>	<u>185,287.14</u>	<u>28,275.12</u>	<u>12,076.70</u>	<u>3,286.26</u>	<u>310,861.08</u>	<u>539,786.30</u>
<u>Expenditures</u>						
General Government	72,776.61	-	-	-	-	72,776.61
Public Safety	74,261.80	-	-	-	56,132.33	130,394.13
Public Works	46,600.53	10,080.98	17,709.40	111.67	-	74,502.58
Recreation & Culture	4,237.30	-	-	-	-	4,237.30
Capital Outlay	25,915.00	-	17,600.00	-	202,468.00	245,983.00
Debt Service:						
Principal	-	-	-	-	12,721.40	12,721.40
Interest	-	-	-	-	8,640.99	8,640.99
<u>Total Expenditures</u>	<u>223,791.24</u>	<u>10,080.98</u>	<u>35,309.40</u>	<u>111.67</u>	<u>279,962.72</u>	<u>549,256.01</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(38,504.10)</u>	<u>18,194.14</u>	<u>(23,232.70)</u>	<u>3,174.59</u>	<u>30,898.36</u>	<u>(9,469.71)</u>
<u>Other Financing Sources (Uses)</u>						
Transfers In (Out)	-	(5,566.35)	5,566.35	-	-	-
<u>Net Change in Fund Balances</u>	<u>(38,504.10)</u>	<u>12,627.79</u>	<u>(17,666.35)</u>	<u>3,174.59</u>	<u>30,898.36</u>	<u>(9,469.71)</u>
<u>Fund Balances - Beginning of Year</u>	<u>243,699.61</u>	<u>103,989.85</u>	<u>30,516.26</u>	<u>28,699.76</u>	<u>74,813.29</u>	<u>481,718.77</u>
<u>Fund Balances - End of Year</u>	<u>\$ 205,195.51</u>	<u>\$ 116,617.64</u>	<u>\$ 12,849.91</u>	<u>\$ 31,874.35</u>	<u>\$ 105,711.65</u>	<u>\$ 472,249.06</u>

The notes are an integral part of the statements.

Village of Kingston
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended February 29, 2008

Net Change in Fund Balances - Total Governmental Funds & Equipment Fund \$ (9,469.71)

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures
in the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as Depreciation 245,983.00

Repayment of Bond Principal is an Expenditure in the Governmental
Funds, but not in the Statement of Activities (where it
reduces Long-Term Debt) 12,721.40

Loan Proceeds are recognized as revenue in the Governmental Funds,
but not in the Statement of Activities (192,468.00)

Depreciation is an Expenditure for the Statement of
Activities, but is not reported in the Governmental Funds (37,398.28)

Net Change in Assets of Governmental Activities \$ 19,368.41

The notes are an integral part of the statements.

Village of Kingston
Statement of Net Assets (Deficit)
Proprietary Funds
February 29, 2008

	Enterprise Funds		Total
	Sewer	Water	Enterprise
<u>Assets</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<u>Current Assets</u>			
Cash & Cash Equivalents	\$ 98,804.41	\$ 117,501.82	\$ 216,306.23
Accounts Receivable	6,975.45	34,148.29	41,123.74
Due From Other Funds	-	-	-
<u>Total Current Assets</u>	105,779.86	151,650.11	257,429.97
<u>Noncurrent Assets</u>			
Capital Assets not being Depreciated	15,000.00	-	15,000.00
Capital Assets being Depreciated	687,306.10	559,741.98	1,247,048.08
Less: Accumulated Depreciation	(416,882.79)	(200,843.24)	(617,726.03)
<u>Total Noncurrent Assets</u>	285,423.31	358,898.74	644,322.05
Total Assets	391,203.17	510,548.85	901,752.02
<u>Liabilities</u>			
Accounts Payable	-	31,875.00	31,875.00
Due To Other Funds	-	58,000.00	58,000.00
Long-Term Debt	-	72,104.28	72,104.28
Total Liabilities	-	161,979.28	161,979.28
<u>Net Assets</u>			
Invested in Capital Assets Net of Related Debt	285,423.31	358,898.74	644,322.05
Unrestricted	105,779.86	(10,329.17)	95,450.69
<u>Total Net Assets</u>	\$ 391,203.17	\$ 348,569.57	\$ 739,772.74

Village of Kingston
Statement of Revenues, Expenses, And Changes in Net Assets
Proprietary Funds
February 29, 2008

	Enterprise Funds		Total
	Sewer Fund	Water Fund	Enterprise Funds
<u>Operating Revenues</u>			
User Charges & Penalties	\$ 40,468.11	\$ 174,433.78	\$ 214,901.89
Property Taxes	-	9,936.88	9,936.88
Service Connection Charges	-	75.00	75.00
 <u>Total Operating Revenues</u>	 40,468.11	 184,445.66	 224,913.77
 <u>Operating Expenses</u>			
Operation & Maintenance	58,240.98	69,044.59	127,285.57
General & Administration	1,266.26	-	1,266.26
Depreciation	15,692.00	15,505.80	31,197.80
 <u>Total Operating Expenses</u>	 75,199.24	 84,550.39	 159,749.63
 <u>Operating Income (Loss)</u>	 (34,731.13)	 99,895.27	 65,164.14
 <u>Nonoperating Revenues (Expenses)</u>			
Interest Earned	3,348.14	376.10	3,724.24
Transfers From (To) Other Funds	-	-	-
 Change in Net Assets	 (31,382.99)	 100,271.37	 68,888.38
 <u>Net Assets - Beginning of Year</u>	 422,586.16	 248,298.20	 670,884.36
 <u>Net Assets - End of Year</u>	 \$ 391,203.17	 \$ 348,569.57	 \$ 739,772.74

Village of Kingston
Statement of Cash Flows
Proprietary Funds
For The Year Ended February 29, 2008

	Enterprise Funds		Total Enterprise Funds
	Sewer Fund	Water Fund	
<u>Cash Flow From Operating Activities</u>			
Receipts from Customers	\$ 37,727.28	\$ 154,482.99	\$ 192,210.27
Payments for Operation, Maintenance, & Water	(58,240.98)	(91,733.73)	(149,974.71)
Payments for General & Administration	(1,266.26)	-	(1,266.26)
 <u>Net Cash Provided by Operating Activity</u>	 (21,779.96)	 62,749.26	 40,969.30
<u>Cash Flows from Noncapital Financing Activities</u>			
Received "Due From Other Funds"	-	-	-
 <u>Net Cash Provided by Noncapital Financing Activities</u>	 -	 -	 -
<u>Cash Flows from Capital & Related Financing Activities</u>			
Sale (Purchase) of Capital Assets	-	(32,504.36)	(32,504.36)
Net Proceeds from Issuance of Long-term Debt	-	72,104.28	72,104.28
 <u>Net Cash Provided by Capital & Related Financing Activities</u>	 -	 39,599.92	 39,599.92
<u>Cash Flows From Investing Activities</u>			
Interest received on Investments	3,348.14	376.10	3,724.24
 <u>Net Increase (Decrease) in Cash & Cash Equivalents</u>	 (18,431.82)	 102,725.28	 84,293.46
<u>Cash & Cash Equivalents - Beginning of Year</u>	 117,236.23	 14,776.74	 132,012.97
<u>Cash & Cash Equivalents - End of Year</u>	 <u>\$ 98,804.41</u>	 <u>\$ 117,502.02</u>	 <u>\$ 216,306.43</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u>			
Operating Income (Loss)	(34,731.13)	99,895.27	65,164.14
Adjustments to Reconcile Operating Income (Loss) from Operating Activities:			
Depreciation	15,692.00	15,505.80	31,197.80
Changes in Assets & Liabilities:			
Receivables	(2,740.83)	(29,962.67)	(32,703.50)
Accounts Payable	-	(22,689.14)	(22,689.14)
 <u>Net Cash Provided by Operating Activities</u>	 <u>\$ (21,779.96)</u>	 <u>\$ 62,749.26</u>	 <u>\$ 40,969.30</u>

Village of Kingston
Notes to the Financial Statements
For The Year Ended February 29, 2008

The accounting methods and procedures adopted by the Village of Kingston, Tuscola County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Villages Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Village operates under a Council-President form of government and provides the following services: public safety, highways and streets, sanitation, recreation, public improvements, planning and zoning and general administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village of Kingston (the primary government).

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Village (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund – The Major Streets Fund accounts for maintenance and improvement activities for streets designated as “major” within the Village. Funding is provided primarily through State-shared gas and weight taxes.

Local Streets Fund – The Local Streets Fund accounts for maintenance and improvement activities for streets designated as “local” within the Village. Funding is provided primarily through State-shared gas and weight taxes.

Municipal Streets Fund – The Municipal Street Fund accounts for maintenance and utilities for streetlights within the Village. Funding is provided primarily through a County and millage.

Fire Fund – The Fire Fund accounts for the fire protection and emergency response services. Funding is provided primarily through fire run fees, standby fees and grant proceeds.

Village of Kingston
Notes to the Financial Statements
For The Year Ended February 29, 2008

The Village reports the following major Enterprise Funds & Internal Service Fund:

Water Fund - The Water Fund accounts for the activities of the water distribution system. Funding is provided primarily through user charges.

Sewer Fund - The Sewer Fund accounts for the activities of the sewage disposal system. Funding is provided primarily through user charges.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Village. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Village pools cash resources of its various funds to facilitate the management of cash. However, cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Village's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Village to hold such investments until they mature.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, & Other Compensated Absences - The Village has an agreement with the employees in the department of public works, the clerk and treasurer that require the payment of compensation during absence from duty. Each employee has a different agreement as to the amount of days that accumulate for vacation and sick leave. If the employees have days that are unused at the end of the fiscal year, the days are forfeited.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Inventories and supplies held by the Water Fund and the Sewer Fund, which are immaterial in amount, have not been recognized. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

Village of Kingston
Notes to the Financial Statements
For The Year Ended February 29, 2008

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	40 years
Water & Sewer Distribution Systems	20 to 75 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 20 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 – Effective March 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Village's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Village as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

Village of Kingston
Notes to the Financial Statements
For The Year Ended February 29, 2008

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Village is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds, Debt Service Funds, Capital Project Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Village actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Village Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the major Special Revenue Funds are presented in the required supplemental information.

During the year ended February 29, 2008, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Village Clerk	\$ 34,304	\$ 35,624	\$ 1,320
Cemetery	969	5,254	4,285
Local Streets Fund			
Capital Outlay	14,000	17,600	3,600
Fire Fund			
Fire Training	1,950	4,366	2,416
Insurance	8,000	8,403	403
Public Utilities	4,555	5,939	1,384
Miscellaneous	7,835	8,930	1,095
Capital Outlay	15,000	202,468	187,468

Village of Kingston
Notes to the Financial Statements
For The Year Ended February 29, 2008

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated four banks for the deposit of Village funds. There was no investment policy adopted by the Council in accordance with Public Act 196 of 1997. The Council has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Village's deposits are in accordance with statutory authority. All cash deposits and investments of the Village are held by the Village in the Village's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 376,089	\$ 216,306	\$ 592,395

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 592,395

The bank balance of the primary government's deposits is \$592,395, of which \$290,072 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Village's name.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had approximately \$302,323 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village's investment policy does not further limit its investment choices.

At year end, there were no deposits and investments reported in the basic financial statements with additional credit risk.

Village of Kingston
Notes to the Financial Statements
For The Year Ended February 29, 2008

4. Property Taxes

The Village is responsible for collecting and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of July of the levy year and are due by the following October 1.

Property taxes are recognized in compliance with NCGAI-3, which states that such revenue is recorded when it becomes measurable and available.

The Village levied the following taxes:

Operating	12.8211	mills
Fire	1.3260	mills
Water	<u>1.7682</u>	mills
Total	<u><u>15.9153</u></u>	

5. Deficit Fund Balance of Individual Funds

None

Village of Kingston
Notes to the Financial Statements
For The Year Ended February 29, 2008

6. Capital Assets

Capital Assets activity of the Village's governmental activities (and business-type) was as follows:

	Balance March 1, 2007	Additions	Disposals & Adjustments	Balance February 29, 2008
Governmental Activities:				
Capital Assets Being Depreciated:				
Infrastructure	\$ 210,158	\$ 17,600	\$ -	\$ 227,758
Buildings & Improvements	40,000	-	-	40,000
Machinery & Equipment	387,536	228,383	-	615,919
Total Capital Assets being Depreciated	637,694	245,983	-	883,677
Accumulated Depreciation:				
Infrastructure	17,880	5,993	-	23,873
Buildings & Improvements	27,600	800	-	28,400
Machinery & Equipment	94,404	30,606	-	125,010
Total Accumulated Depreciation	139,884	37,399	-	177,283
Net Governmental Act. Capital Assets	\$ 497,810	\$ 208,584	\$ -	\$ 706,394
Business-type Activities:				
Capital Assets not being Depreciated - Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Capital Assets Being Depreciated:				
Sewage Treatment Plant	702,306	-	-	702,306
Water Distribution System	527,238	32,504	-	559,742
Total Capital Assets being Depreciated	1,229,544	32,504	-	1,262,048
Accumulated Depreciation:				
Sewage Treatment Plant	401,191	15,692	-	416,883
Water Distribution System	185,337	15,506	-	200,843
Total Accumulated Depreciation	586,528	31,198	-	617,726
Net Business-type Act. Capital Assets	\$ 658,016	\$ 1,306	\$ -	\$ 659,322
Total Net Capital Assets	\$ 1,155,826	\$ 209,890	\$ -	\$ 1,365,716

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 800
Public Safety	28,488
Public Works	8,111
Total Governmental Activities	<u>\$ 37,399</u>
Business-type Activities:	
Sewer Fund	\$ 15,692
Water Fund	15,506
Total Business-type Activities	<u>\$ 31,198</u>

Village of Kingston
Notes to the Financial Statements
For The Year Ended February 29, 2008

7. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
Sewer Fund	\$ 58,000	General Fund - M/H Building	\$ 58,000
Total	<u>\$ 58,000</u>	Total	<u>\$ 58,000</u>

Interfund Transfers reported in the Fund Statements are as follows:

	<u>Transferred From</u>		<u>Transferred To</u>
Major Streets Fund	\$ 5,566	Local Streets Fund	\$ 5,566
Total	<u>\$ 5,566</u>		<u>\$ 5,566</u>

8. Long-Term Debt

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
General Obligation Bonds & Contracts						
Spencer Model TM 1500 / FL - 80 Pumper						
Amount of Issue - \$226,281		\$10,339 -				
Maturing through 2017	5.32%	\$20,283	\$ 162,418	\$ (12,721)	\$ 149,697	\$ 13,398
2008 CSI Rescue Truck						
Amount of Issue - \$192,468		\$9,304 -				
Maturing through 2023	5.00%	\$17,616	\$ -	\$ 192,468	\$ 192,468	\$ 9,703
Total Governmental Activities			<u>\$ 162,418</u>	<u>\$ 179,747</u>	<u>\$ 342,165</u>	<u>\$ 23,101</u>
Business-type Activities						
General Obligation Bonds & Contracts						
Popular Leasing - Work on Well #s One and Two						
Amount of Issue - \$75,000		\$1,438 -		\$ 75,000		
Maturing through 2018	5.24%	\$2,340	\$ -	\$ (2,895)	\$ 72,105	\$ 6,023
Total Business-type Activities			<u>\$ -</u>	<u>\$ 72,105</u>	<u>\$ 72,105</u>	<u>\$ 6,023</u>
Total Primary Government			<u>\$ 162,418</u>	<u>\$ 251,852</u>	<u>\$ 414,270</u>	<u>\$ 29,124</u>

Village of Kingston
Notes to the Financial Statements
For The Year Ended February 29, 2008

8. Long-Term Debt

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Years Ending February 29,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 23,100	\$ 16,764	\$ 39,864	\$ 6,023	\$ 3,661	\$ 9,684
2010	23,415	16,451	39,866	6,344	3,339	9,683
2011	24,634	15,232	39,866	6,683	3,000	9,683
2012	25,916	13,949	39,865	7,041	2,643	9,684
2013	27,266	12,600	39,866	7,417	2,267	9,684
2014-2018	137,801	40,165	177,966	38,596	4,983	43,579
2019-2023	80,034	12,460	92,494	-	-	-
Total	\$ 342,166	\$ 127,621	\$ 469,787	\$ 72,104	\$ 19,893	\$ 91,997

9. Post Employment Benefits

The Village does not provide any post employment benefits.

10. Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Village has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Required Supplemental Information

Village of Kingston
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended February 29, 2008

<u>Revenues</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Current Property Tax	\$ 6,500.00	\$ 69,500.00	\$ 72,975.08	\$ 3,475.08
State Shared Revenue	55,600.00	55,600.00	53,308.00	(2,292.00)
Charges for Services	21,000.00	21,000.00	23,230.81	2,230.81
Interest Earnings	1,425.00	1,425.00	2,980.55	1,555.55
<u>Miscellaneous Revenue</u>				
Ordinance Fines	250.00	250.00	-	(250.00)
Vehicle Inspection Fees	12,100.00	12,100.00	21,061.52	8,961.52
Donations	1,606.00	1,606.00	1,222.86	(383.14)
Hall & Tower Rent	2,525.00	2,525.00	-	(2,525.00)
Cable TV Franchise Fee	2,300.00	2,300.00	829.55	(1,470.45)
Equipment Rental	21,500.00	21,500.00	76.90	(21,423.10)
Reimbursements & Miscellaneous	3,915.00	3,915.00	9,601.87	5,686.87
<u>Total Miscellaneous Revenues</u>	<u>44,196.00</u>	<u>44,196.00</u>	<u>32,792.70</u>	<u>(11,403.30)</u>
<u>Total Revenues</u>	<u>\$ 128,721.00</u>	<u>\$ 191,721.00</u>	<u>\$ 185,287.14</u>	<u>\$ (6,433.86)</u>

Village of Kingston
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended February 29, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Expenditures</u>				
<u>General Government</u>				
Legislative	\$ 14,828.00	\$ 16,128.00	\$ 14,641.21	\$ 1,486.79
Village Clerk	20,904.00	34,304.00	35,623.51	(1,319.51)
Treasurer	4,452.00	10,552.00	10,511.04	40.96
Village Hall & Grounds	5,786.00	29,986.00	5,108.55	24,877.45
Elections	-	1,100.00	1,085.60	14.40
General Administration	1,825.00	1,825.00	552.77	1,272.23
Cemetery	969.00	969.00	5,253.93	(4,284.93)
<u>Total General Government</u>	<u>48,764.00</u>	<u>94,864.00</u>	<u>72,776.61</u>	<u>22,087.39</u>
<u>Public Safety</u>				
Crossing Guard	3,575.00	3,575.00	2,256.03	1,318.97
Police	54,825.00	79,025.00	55,185.90	23,839.10
Sanitation	16,250.00	16,250.00	16,239.20	10.80
Zoning & Master Plan	500.00	1,000.00	580.67	419.33
<u>Total Public Safety</u>	<u>75,150.00</u>	<u>99,850.00</u>	<u>74,261.80</u>	<u>25,588.20</u>
<u>Public Works</u>				
Department of Public Works	38,489.00	42,989.00	29,934.57	13,054.43
Street Lighting	12,000.00	17,000.00	16,665.96	334.04
<u>Total Public Works</u>	<u>50,489.00</u>	<u>59,989.00</u>	<u>46,600.53</u>	<u>13,054.43</u>
<u>Recreation & Culture</u>	<u>9,258.00</u>	<u>8,010.00</u>	<u>4,237.30</u>	<u>3,772.70</u>
<u>Capital Outlay</u>	<u>26,000.00</u>	<u>26,000.00</u>	<u>25,915.00</u>	<u>85.00</u>
<u>Total Expenditures</u>	<u>209,661.00</u>	<u>288,713.00</u>	<u>223,791.24</u>	<u>64,587.72</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	(80,940.00)	(96,992.00)	(38,504.10)	58,487.90
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	17,940.00	17,940.00	-	17,940.00
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	(63,000.00)	(79,052.00)	(38,504.10)	40,547.90
<u>Fund Balance - Beginning of Year</u>	-	-	243,699.61	243,699.61
<u>Fund Balance - End of Year</u>	\$ (63,000.00)	\$ (79,052.00)	\$ 205,195.51	\$ 284,247.51

Village of Kingston
Required Supplemental Information
Budgetary Comparison Schedule
Major Streets Fund
For The Year Ended February 29, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Intergovernmental Revenues	\$ 28,300.00	\$ 28,300.00	\$ 27,332.50	\$ (967.50)
Interest Earnings	775.00	775.00	942.62	167.62
<u>Total Revenues</u>	<u>29,075.00</u>	<u>29,075.00</u>	<u>28,275.12</u>	<u>(799.88)</u>
<u>Expenditures</u>				
Administration	807.00	822.00	187.51	634.49
Routine Maintenance	13,315.00	13,315.00	7,888.51	5,426.49
Snow & Ice Removal	9,078.00	9,078.00	2,004.96	7,073.04
<u>Total Expenditures</u>	<u>23,200.00</u>	<u>23,215.00</u>	<u>10,080.98</u>	<u>13,134.02</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>5,875.00</u>	<u>5,860.00</u>	<u>18,194.14</u>	<u>12,334.14</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	(5,875.00)	(5,875.00)	(5,566.35)	308.65
<u>Net Change in Fund Balance</u>	<u>-</u>	<u>(15.00)</u>	<u>12,627.79</u>	<u>12,642.79</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>103,989.85</u>	<u>103,989.85</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ (15.00)</u>	<u>\$ 116,617.64</u>	<u>\$ 116,632.64</u>

Village of Kingston
Required Supplemental Information
Budgetary Comparison Schedule
Local Streets Fund
For The Year Ended February 29, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Intergovernmental Revenues	\$ 11,100.00	\$ 11,100.00	\$ 11,973.89	\$ 873.89
Interest Earnings	50.00	50.00	102.81	52.81
Other Revenues	-	-	-	-
<u>Total Revenues</u>	11,150.00	11,150.00	12,076.70	926.70
<u>Expenditures</u>				
Administration	715.00	715.00	187.51	527.49
Routine Maintenance	9,319.00	16,319.00	16,141.09	177.91
Traffic Services	-	-	-	-
Snow & Ice Removal	6,991.00	6,991.00	1,380.80	5,610.20
Capital Outlay	-	14,000.00	17,600.00	(3,600.00)
<u>Total Expenditures</u>	17,025.00	38,025.00	35,309.40	2,715.60
<u>Excess of Revenues Over (Under) Expenditure</u>	(5,875.00)	(26,875.00)	(23,232.70)	3,642.30
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	5,875.00	5,875.00	5,566.35	(308.65)
<u>Net Change in Fund Balance</u>	-	(21,000.00)	(17,666.35)	3,333.65
<u>Fund Balance - Beginning of Year</u>	-	-	30,516.26	30,516.26
<u>Fund Balance - End of Year</u>	\$ -	\$ (21,000.00)	\$ 12,849.91	\$ 33,849.91

Village of Kingston
Required Supplemental Information
Budgetary Comparison Schedule
Municipal Streets Fund
For The Year Ended February 29, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 2,450.00	\$ 2,450.00	\$ 2,520.77	\$ 70.77
Interest Earnings	578.00	578.00	765.49	187.49
<u>Total Revenues</u>	3,028.00	3,028.00	3,286.26	258.26
<u>Expenditures</u>				
Administration	116.00	116.00	-	116.00
Repairs & Maintenance	2,912.00	2,912.00	111.67	2,800.33
<u>Total Expenditures</u>	3,028.00	3,028.00	111.67	2,916.33
<u>Excess of Revenues Over (Under) Expenditures</u>	-	-	3,174.59	3,174.59
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	-	-
<u>Net Change in Fund Balance</u>	-	-	3,174.59	3,174.59
<u>Fund Balance - Beginning of Year</u>	-	-	28,699.76	28,699.76
<u>Fund Balance - End of Year</u>	\$ -	\$ -	\$ 31,874.35	\$ 31,874.35

Village of Kingston
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
For The Year Ended February 29, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 7,100.00	\$ 7,100.00	\$ 7,451.55	\$ 351.55
Charges for Services	110,500.00	110,500.00	102,875.00	(7,625.00)
Loan Proceeds	-	-	192,468.00	192,468.00
Interest Earnings	725.00	725.00	2,653.04	1,928.04
Other Revenues	4,950.00	4,950.00	5,413.49	463.49
<u>Total Revenues</u>	123,275.00	123,275.00	310,861.08	187,586.08
<u>Expenditures</u>				
Salaries, Wages & FICA	26,947.00	26,947.00	15,613.21	11,333.79
Operating Supplies	6,550.00	23,150.00	8,872.15	14,277.85
Repairs & Maintenance	7,000.00	7,000.00	4,008.62	2,991.38
Fire Training	1,950.00	1,950.00	4,366.46	(2,416.46)
Insurance	8,000.00	8,000.00	8,403.07	(403.07)
Public Utilities	4,555.00	4,555.00	5,938.62	(1,383.62)
Miscellaneous	6,185.00	7,835.00	8,930.20	(1,095.20)
Capital Outlay	15,000.00	15,000.00	202,468.00	(187,468.00)
Debt Service - Principal	12,750.00	12,750.00	12,721.40	28.60
Debt Service - Interest	8,650.00	8,650.00	8,640.99	9.01
<u>Total Expenditures</u>	97,587.00	115,837.00	279,962.72	(164,125.72)
<u>Excess of Revenues Over (Under) Expenditures</u>	25,688.00	7,438.00	30,898.36	23,460.36
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	-	-
<u>Net Change in Fund Balance</u>	25,688.00	7,438.00	30,898.36	23,460.36
<u>Fund Balance - Beginning of Year</u>	-	-	74,813.29	74,813.29
<u>Fund Balance - End of Year</u>	\$ 25,688.00	\$ 7,438.00	\$ 105,711.65	\$ 98,273.65

Other Supplemental Information

Village of Kingston
Other Supplemental Information
Schedule of Indebtedness
February 29, 2008

Loan Payable - Popular North America
Spencer Model TM 1500 / FL - 80 Pumper

Dated: November 8, 2002
Original Issue \$246,281

Interest Rate	Contract Due For The Year Ending	Principal Outstanding February 29,		Annual Interest Payable
		2008	2007	
5.00%	4/1/2008	\$ 1,476.37	\$ -	\$ 944.57
5.00%	7/1/2008	1,495.71	-	925.23
5.00%	10/1/2008	1,515.31	-	905.63
5.00%	1/1/2009	1,535.16	-	885.78
5.00%	4/1/2009	1,555.27	-	865.67
5.00%	7/1/2009	1,575.64	-	845.30
5.00%	10/1/2009	1,596.28	-	824.66
5.00%	1/1/2010	1,617.20	-	803.74
5.00%	4/1/2010	1,638.38	-	782.56
5.00%	7/1/2010	1,659.84	-	761.10
5.00%	10/1/2010	1,681.59	-	739.35
5.00%	1/1/2011	1,703.62	-	717.32
5.00%	4/1/2011	1,725.93	-	695.01
5.00%	7/1/2011	1,748.54	-	672.40
5.00%	10/1/2011	1,771.45	-	649.49
5.00%	1/1/2012	1,794.66	-	626.28
5.00%	4/1/2012	1,818.17	-	602.77
5.00%	7/1/2012	1,841.98	-	578.96
5.00%	10/1/2012	1,866.11	-	554.83
5.00%	1/1/2013	1,890.56	-	530.38
5.00%	4/1/2013	1,915.33	-	505.61
5.00%	7/1/2013	1,940.42	-	480.52
5.00%	10/1/2013	1,965.84	-	455.10
5.00%	1/1/2014	1,991.59	-	429.35
5.00%	4/1/2014	2,017.68	-	403.26
5.00%	7/1/2014	2,044.11	-	378.83
5.00%	10/1/2014	2,070.89	-	350.05
5.00%	1/1/2015	2,098.02	-	322.92
5.00%	4/1/2015	2,125.50	-	295.44
5.00%	7/1/2015	2,153.34	-	267.60
5.00%	10/1/2015	2,181.55	-	239.39
5.00%	1/12016	2,210.13	-	210.81
5.00%	4/1/2016	2,239.08	-	181.86
5.00%	7/1/2016	2,268.42	-	152.52
5.00%	10/1/2016	2,298.13	-	122.81
5.00%	1/1/2017	2,328.24	-	92.70
5.00%	4/1/2017	2,358.74	-	62.20
5.00%	7/1/2017	2,389.50	-	31.44
<u>Total Loan Payable</u>		<u>\$ 72,104.28</u>	<u>\$ -</u>	<u>\$ 19,893.44</u>
<u>Total Business-type Loans Payable</u>		<u>\$ 72,104.28</u>	<u>\$ -</u>	<u>\$ 19,893.44</u>

Village of Kingston
Other Supplemental Information
Schedule of Indebtedness
February 29, 2008

Loan Payable - Popular North America
Spencer Model TM 1500 / FL - 80 Pumper

Dated: November 8, 2002
Original Issue \$226,281

Interest Rate	Contract Due For The Year Ending	Principal Outstanding February 29,		Annual Interest Payable
		2008	2007	
5.32%	1/15/2008	\$ -	\$ 12,721.10	\$ -
5.32%	1/15/2009	13,397.00	13,397.00	7,964.47
5.32%	1/15/2010	14,110.74	14,110.74	7,251.65
5.32%	1/15/2011	14,861.49	14,861.49	6,500.90
5.32%	1/15/2012	15,652.18	15,652.18	5,710.21
5.32%	1/15/2013	16,484.94	16,484.94	4,877.45
5.32%	1/15/2014	17,362.00	17,362.00	4,000.39
5.32%	1/15/2015	18,285.73	18,285.73	3,076.66
5.32%	1/15/2016	19,258.60	19,258.60	2,103.79
5.32%	1/15/2017	20,285.26	20,283.26	1,079.13
Total Loan Payable		\$ 149,697.94	\$ 162,417.04	\$ 42,564.65

Loan Payable - Popular North America
CSI Rescue Truck - Manpower

Dated: October 1, 2007
Original Issue \$192,648

Interest Rate	Contract Due For The Year Ending	Principal Outstanding February 29,		Annual Interest Payable
		2008	2007	
5.00%	8/27/2008	\$ 9,703.48	\$ -	\$ 8,799.40
5.00%	8/27/2009	9,303.87	-	9,199.01
5.00%	8/27/2010	9,772.16	-	8,730.72
5.00%	8/27/2011	10,264.01	-	8,238.87
5.00%	8/27/2012	10,780.63	-	7,722.25
5.00%	8/27/2013	11,323.25	-	7,179.63
5.00%	8/27/2014	11,893.17	-	6,609.71
5.00%	8/27/2015	12,491.79	-	6,011.09
5.00%	8/27/2016	13,120.53	-	5,382.35
5.00%	8/27/2017	13,780.92	-	4,721.96
5.00%	8/27/2018	14,474.55	-	4,028.33
5.00%	8/27/2019	15,203.09	-	3,299.79
5.00%	8/27/2020	15,968.30	-	2,534.58
5.00%	8/27/2021	16,772.03	-	1,730.85
5.00%	8/27/2022	17,616.22	-	866.66
Total Loan Payable		\$ 192,468.00	\$ -	\$ 85,055.20
Total Governmental-type Loans Payable		\$ 342,165.94	\$ 162,417.04	\$ 127,619.85
Total Primary Government Loans Payable		\$ 414,270.22	\$ 162,417.04	\$ 147,513.29

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

July 23, 2008

Village of Kingston
3655 Ross Street
Kingston, MI 48741

To Members of the Council:

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Kingston for the year ended February 29, 2008, and have issued my report thereon dated July 23, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated October 10, 2006, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Kingston are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending February 29, 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Audit Adjustments (Corrected and Uncorrected Misstatements)

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated July 23, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Communication of Significant Deficiencies and Material Weaknesses

In planning and performing my audit of the financial statements, as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, I considered the Village of Kingston's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and other deficiencies that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I considered the following deficiencies to be significant deficiencies in internal control:

Preparation of Financial Statements - Management prepares internal financial information to assess operations and the financial position of the Village of Kingston on an ongoing basis. Although the internal financial information is sufficient to operate the Village, it is not presented in accordance with generally accepted accounting principles. The Village contracts with me, the auditor, to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles, since it does not retain staffing that currently have the expertise. I believe this meets the definition of a material weakness under *Statement on Auditing Standards 112*.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The AICPA Auditing Standards Board issued Statements on Audit Standards (SAS) 112 which establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting and is effective for periods ending after December 15, 2006. According to SAS 112, it is considered to be a control deficiency if a client I am auditing has ineffective controls over the preparation of their financial statements such that client controls are absent or controls are not effective in preventing or detecting material misstatements in the preparation of the financial statements, including the related footnotes.

Accrual Adjustments – During the audit, I generally provide significant assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records. I bring this to your attention since it meets the above definition on a matter to be communicated.

Segregation of Duties - The relative size of the Village of Kingston limits the extent to which the officials can segregate duties and responsibilities which impairs the basic premise that no one individual should have access to both the physical assets and the related accounting records (or all recording tasks of a transaction from inception to completion).

The Village has implemented mitigating controls to strengthen internal controls and the segregation of duties; however, it must be recognized that the risk of intentional or unintentional errors could be made and not detected in a timely manner.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Kingston's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Kingston's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Council of the Village of Kingston, and Federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant